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E.O. 12958: DECL: 2019/12/16
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SUBJECT: Where there's Smoke: Corruption in Dominica

DERIVED FROM: DBHardt

Summary

¶1. (C) Allegations of corruption continue to mount against Dominica Prime Minister Roosevelt Skerrit as December 18 national elections approach. These allegations focus primarily on the Layou River Scandal, bogus Ambassadorial appointments, no bid government contracts, Ross University villas, and PM Skerrit's personal real estate holdings. The opposition is attempting to package these ethical gaps into a viable campaign strategy, but so far the public appears torn between dismay at the scale of the transgressions and acceptance of a certain base level of corruption -- as long as the corruption does not negatively affect them personally (and if they can benefit in some small way, so much the better). End Summary.

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Scandal Sheet Item 1: River of Dreams
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¶2. (C) The Layou River tourism development, located on Dominica's central western coast has been the subject of numerous scandals. The most recent started in 2005, when Skerrit's Ambassador to China, David King Hsiu, and Grace Tung, who ran the economic citizenship program, reportedly began a scheme to sell Dominican passports under an economic citizenship program with the promise of pouring the revenue into tourism projects (notably, Layou). After selling hundreds of passports in China for a reported \$100,000 per family, the two then sold the development to another developer, but without investing substantial amounts into the project. According to investigative journalist Lenox Linton, Hsiu and Tung convinced the government that they could raise money by selling passports in China to make investments in Dominica. In reality, the scheme appears to have been simply cover to enrich themselves as much as possible. In addition to laments that the money destined for tourism infrastructure has essentially disappeared, the doomed project has raised questions about why Skerrit's government approved the scheme without exercising oversight on money that should have been collected by the government for the sale of a government instrument (the passports). This has in turn led many, especially in the opposition, to question whether the scandal was a result of Skerrit's naiveté and ineptitude, or if the PM somehow profited personally from the scheme.

Scandal Sheet Item 2: Ambassadors Gone Wild

13. (C) David Hsiu is not the first non-native Dominican Ambassador to get into trouble over shady business deals. Roman Lakschin, a Russian national by birth with virtually no ties to Dominica, was selected as Dominica's Ambassador to the UN Mission in Geneva, only to be twice denied accreditation by Switzerland on the claim that he was a businessman and not a diplomat, and was only seeking diplomatic immunity to avoid a charge of fraud that was filed against him in Swiss courts. In April 2006, Dominica filed suit in the International Court of Justice, alleging that the Swiss were in violation of the Vienna Convention on Diplomatic Relations. A few weeks later, Dominica withdrew the claim. Lakschin was also twice denied accreditation to be the Ambassador to Russia on similar grounds. Rudolph King, a Bahamian by birth and the previous Dominican Ambassador to Bahrain, is currently in prison in the U.S. for fraud. The lure of selling citizenship and Ambassadorial credentials without even a nod toward vetting candidates has been another black mark on Skerrit's record in local political circles, and has also raised questions about whether it is an issue of competency or financial gain.

Scandal Sheet Item 3: Cash for Cronies

14. (C) In June, 2009 another scandal began percolating in the Dominican press, alleging that multiple no-bid contracts for garbage bins and fertilizer were awarded to Minister of Trade Collin McIntyre's half brother Andre Dopwell, a resident of Pennsylvania. The contract stipulated the importation of 2700 garbage bins. The bins eventually provided were Rubbermaid containers, priced less than \$15 USD at a U.S. Home Depot store, while the invoice charged to the government for each bin was \$102.19 USD. Moreover, the original shipment was over 500 bins short, a gap that has yet to be rectified and raised additional allegations of deliberate over-invoicing. Upon the disclosure of the price paid, Skerrit promised that a refund would be delivered to the government, but did not announce any investigation or indicate whether any wrongdoing had occurred. On November 2 Skerrit made a short announcement indicating that the matter had been settled and the money had been repaid, but failed to disclose such facts as how much money was paid, who paid it, and how that sum was settled upon. In a related case, Dopwell was granted a no bid-contract and provided a higher than market price for fertilizer that was also delivered late and over-invoiced.

Scandal Sheet Item 4: Ross University Villas

15. (C) The most recent scandal to hit Skerrit was over a number of luxury villas designed to house the faculty of American-owned Ross Medical School. This line of questioning was introduced in the Parliament by Edison James, ex-PM for the opposition United Workers Party (and by all accounts an expert in feeding from the public till during his tenure as PM). Renneth Alexis, a friend of Skerrit's, quickly professed to be the sole owner of the properties. According to James, the construction cost of the eight villas was listed in bank statements at \$1.25 million USD, but some

private estimates state the actual costs of construction could be as high as \$2.5 million. Almost 75 percent of these official costs were paid by loans provided to Alexis, allegedly by friends of Skerrit. There is no documentation of who provided the remaining 25 percent investment in the properties. James claims that Skerrit has financed the bulk of the investment, simply using Alexis as a front to avoid the type of criticism he has received over his publicly disclosed assets.

Skerrit's Assets -- It Doesn't Add Up

¶6. (C) Skerrit's public declaration listed minimal assets when he joined the government in 2000. Skerrit has not held any other legal job or made any investments that would provide income outside of his official government salary of less than \$2,000 USD per month. Yet on this salary, Skerrit has purchased multiple land holdings in Dominica on paper worth over US\$400,000 with much higher market value, and is constructing a palatial residence in Vielle Casse, his hometown. When the local newspaper filed a story raising questions about this apparent discrepancy, Skerrit's lawyer, Tony Astaphan sued the paper for slander. As the facts of the case continued to come out, documentation showed the basics to be accurate and even raised new issues of tax evasion as the price paid was substantially less than market value. Astaphan originally claimed that Skerrit received one of the properties as a gift, despite documentation that showed that an amount of \$80,000 USD was paid. Astaphan has since argued that accounting errors have been made without admitting any wrongdoing.

Public Watchdog has no Bite

¶7. (C) The Commission for Integrity in Public Office was established to investigate the assets of members of the public service. This act was passed into law in 2004, but the commission was only appointed in September 2008. According to Chairman Julian Johnson, the commission has received two well-documented complaints against Skerrit based on his public assets. Johnson threw out both claims without conducting an investigation on the grounds that the alleged crimes were conducted prior to the establishment of the Commission in September and thus were outside their legal jurisdiction. Johnson was appointed by the President, but on the advice of Skerrit. This decision has frustrated many in the opposition and in civil society who had high hopes for the Commission, as they believe that Johnson is willfully misinterpreting the law. Johnson, with a long history in law, claims that he understands the complaints but won't act without having an ironclad legal foundation.

Comment: Corruption -- Acceptable at what level?

¶8. (C) While some prominent pieces by the daughter of ex-PM Rosie Douglas and former Dominican Ambassador to the U.S. Frank Baron have been harshly critical of Skerrit and have linked rising crime and declining morality to the poor example being provided by the

Prime Minister, others minimize the import of the array of scandals. Many Dominicans have expressed the fatalistic belief that a certain amount of corruption is inevitable. In addition, few have much sympathy for the opposition, whose previous leader, Earl Williams, is believed to be hiding in the U.S. over allegations of stealing from a client and whose former leader, Edison James, had his own share of scandals while serving as PM. Most expect a minister to skim something off the top of contracts and do not seem to object as long as gains filter through to the district. This moral lethargy is coupled with a feeling of entitlement prevalent in the population, as MPs are typically met by constituents with open palms expecting a handout, without much thought given to how elected officials can afford such charity.

19. (C) While many of the scandals surrounding Skerrit are as much opposition politicking as provable corruption cases, taken together they paint a fairly compelling picture of Skerrit enriching himself at the expense of the people of Dominica. With legal wrangling, creative travel, and sick days, Skerrit has thus far avoided answering any of these allegations on the floor of the parliament. The public may well forgive an abusive leader as long as his bounty is spread widely among the population and does not seem to be endangering economic growth. Skerrit, according to the opposition, has already absconded with almost 1 percent of national GDP in only 5 years in office. Whether or not that is too much will be answered December.

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